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A MANAGEMENT VIEW OF EMPLOYMENT PROBLEMS IN THE STEEL INDUSTRY FOR THE NEXT DECADE

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UNIVERSITY OF ILLINOIS

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by

William G. Caples

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(Address presented at a conference on "Problems of Employment and Unemployment" sponsored by the United Steelworkers of America and the University of Illinois Institute of Labor and Industrial Relations February 21, 1964, on the University's Urbana campus)

I am honored and frankly pleased to have the opportunity to share with you tonight some thoughts on the employment problems in our industry - steel - over the next few year. I welcomed the invitation because it is not often those of us in management have an opportunity to gaze into our crystal ball will our union associates, and guessing the future is just that -- crystal ball gazing. We in management must try to plan a generation ahead and answer questions such as what raw material we will need, and when, and in what amount; should we own them or depend on an independent source; what type of transportation will we need and what new methods of moving material can we foresee; what will our market be; what processes will change and how; how much money will we need and how will we obtain it. Of course, we must constantly revise these estimates to keep them current.

Of equal importance is an opportunity to participate in a dialogue on the very important employment problems in the steel industry, because I believe that they are, in many of their aspects, joint problems that will be solved only by our joint efforts.

The employment problems and employment opportunities in the steel industry -- in fact in all industry -- during the next decade flow, I believe, from the interaction of three major phenomena: the rapid growth in the population of the United States; the civil rights movement; and the effects of technological change on manpower requirements.

I will not dwell at length on the population explosion and its effects on employment opportunities. But we can't ignore that the leaping increase in our numbers is the central fact of our domestic economy and in much of the world economy. Furthermore, the projected growth in the total domestic labor force, from 1960 to 1970, of over 17 per cent, is occuring in the face of technological change that slowly but inexorably is reducing manpower needs per unit of output in many sectors of the economy -- steel among them.

In the middle and late fifty's many of us were confidently predicting labor shortages; we were concentrating upon ways and means of effectively classifying and utilizing a workforce too small to fill all the jobs available. We still continue, and I believe will continue, to face acute shortages in technical, professional, scientific and some administrative areas; but these are now and will continue to exist in the midst of a surplus of unskilled workers. This apparent paradox points to the need -- to which I will return -- for improved educational programs and facilities, and for effective efforts to re-enlist in educational programs the young "drop-outs" who quit trying to be educated before they have acquired the minimum qualification for the employment that is currently available. It also emphasizes the need for training programs designed to fit constantly changing needs.

The second phenomemnon is the monumental social revolution being brought about by the drive to gain equal civil rights for Negroes. The single year of the centennial of the Emancipation Proclamation was probably marked by more activity and more progress in this area than any previous decade, and I believe that we are just at the outer fringes of at long last achieving a truly color-blind society. A decade from now, I hope and I believe, that we will look back in wonder (and some I also hope will recall with shame) that for a man to eat a sandwich at a public lunch counter, or for a child to attend a school classroom, or for a worker to enter upon an apprenticeship, he had to be of a particular shade of skin. We will, I believe, find it hard to understand how this could have become a national issue among presumably sane people. But we are not there yet, and the transition is going to be a difficult one, with difficulties created by the past and compounded by the present.

In the matter of employment in the mass production industries, we must recognize that we are facing something of a dilemma. The total available workforce, white and Negro, is increasing at a faster rate than job opportunities are becoming available in these industries. And the job opportunities that do exist or are created, increasingly require higher and higher standards of education and training. At the same time, precisely because of long-standing deprivation of civil rights, because of systematic exclusion from employment, because of educational and social and economic disadvantage, large numbers of Negroes simply do not today possess the minimum qualifications, experiences, and attitudes required for employment. The most energetic positive recruitment has not yielded more than a handful of applications for the professional, technical, managerial, and clerical openings that do exist. I believe that this dilemma will

eventually be resolved regarding these higher levels of jobs by intensified educational efforts. But it is totally unrealistic to imagine that significant numbers of jobs for unskilled, unlettered labor will be created in the near future.

The third phenomemnon that decisively conditions our thinking about employment problems in the next decade is the effect of technological change.

I do not intend to elaborate at length on these effects tonight. I am sure you have discussed most of the relevant issues earlier in this program. I would like to reiterate a few key points that relate to employment problems particularly, bearing in mind that we at Inland believe the "first and foremost" vital issue of our times is the problem of attaining and maintaining high employment in this age of rapid technological change.

The rate of technological change--automation, mechanization, call it what you will -- clearly seems to be accelerating. The introduction of automated processes, beginning in the mass production industries, is spreading to offices, laboratories, service organizations, and educational institutions. I am only too aware of the fact that one thing, more than any other, which will shape collective bargaining in this country during the foreseeable future is the fear of unions such as yours, and certainly of your members, that jobs will be taken away from them by automation. It is this fear, I am sure, that underlies the campaign for reduced hours of work, for longer vacations and earlier retirement, for job freezes and broader seniority systems, and for severance pay plans. This fear contributed without a doubt to the strike that we both suffered through in 1959. It is central to the railroad rules dispute. In almost every collective bargaining situation with which I am familiar, the impact or possible impact of technological change is in the forepart of the debate.

We must at this point in time -- unpopular and unpleasent as the view may be -- candidly recognize that the old solutions to technological change are of dubious applicability today. In the past we solved the employment problem partially through reductions in the work week, but we did it against a different factual work situation. Today, the 40-hour week generally means only 35 to 37 working hours on the average, due to vacations and holidays, and the normal work day is eight hours. No one seriously claims that such a work week or day is a burden for the individual and that a reduction is needed for improved health or better morale. To quote my boss, Joe Block, "Thus it is much more difficult to help solve the problem of providing jobs by shortening working time as we have heretofore. New and imaginative approaches in this area seem necessary, but care must be taken that the measures chosen are not self-defeating due to their inflationary impact. The recently adopted 13-week vacation every fifth year for senior employees in the steel industry is illustrative of such an approach, for it will provide additional job opportunities without drastically increasing costs."

There is one more complicating factor on which there is a wide consensus: we cannot afford to impede or in any way slow up our technological progress. On this point the President's Advisory Committee on Labor-Management Policy -- of which both the Chairman of the Board of my company, Joe Block, and the President of your union, Dave McDonald, are members -- was unanimous. In their report on automation, they said: "...we emphasize...the imperative need for and desirability of automation and technological change. Indeed, increased productivity and fuller utilization of resources are urgently needed to improve our rate of economic growth. They are likewise needed to improve our competitive position in world markets.

Failure to advance technologically and to otherwise increase the productivity of our economy would bring on much more serious unemployment and related social problems than any we now face." Mr. McDonald restated this imperative quite effectively in his address before the Sixty-Eighth Annual Congress of American Industry at New York City when he said: "...that automation is with us and that it is here to stay. To oppose automation would be to oppose progress and this I shall never do. The adversaries we are facing in the cold war are automating. We must not only keep pace with their industrial progress. We must stay far ahead."

Technological innovation is required if we are to meet successfully the challenges of materials alternative to steel, the challenges of consumer demand for improved quality, and the challenges of international foreign competition.

Meyer Bernstein talked this afternoon about some of the implications of foreign trade, and I am sorry I wasn't here to hear him. I would like to make a few remarks on this subject which I hope will not be duplication of what has already been said. In the coming decade, I believe that we should expect a great change in this area. The effect of the Common Market on our economy is just beginning to be discerned. As we move closer to a relationship of free trade among the non-Communist nations of the world, the pressures of competition from foreign goods will force us to watch our own costs closely, and to reduce them where we can. To realize the demand needed to sustain a high level of operations, to keep our employees and our plants going, we must maintain our domestic market and hopefully expand our overseas markets. This can only be done if we keep our prices competitive.

As for the improvement of quality, an improvement that is needed by today's demands on what the metal must do, technological innovation only will make it possible. As all of you here know, we are held to

increasingly closer tolerances. The esoteric alloys of the space age must meet specifications we did not even conceive of a decade ago, but even the commonly-used steels we all make must today be of significantly higher quality, must more closely conform to specification, than a decade or two ago. We have learned indeed to make better steels, and in greater variety, to compete with materials such as aluminum and plastics.

Given then, the requirement that we innovate and change, given the foreign competition, given new competition of other materials, and given the increase in population with the demand for steel it implies, what is the employment outlook over the next decade or so, into the early seventies?

Some of us have looked at the problem, and have tried to come up with reasonable estimates. I share them with you, with the warning that they are just that -- fallible estimates, possibly even on the optimistic side.

To begin with, and to put it bluntly, the situation in basic steel is this: the total number of employees of all kinds in the steel industry has been declining relatively steadily since 1957, and the number of manhours worked and the average work week have been declining as well. But these declines have not been reflected in output. In other works, it takes less labor to make a ton of steel than it used to. In 1940, for example, for every ingot ton of steel produced, 13.7 manhours of labor were used. In 1950, a ton was associated with 11.3 manhours. In 1960, it was 8.7 manhours. A reasonable estimate is that in 1970 an ingot ton of steel will correspond to about 6.0 manhours of wage-employee time.

Indeed, even if we assume that steel production in this country rises with population growth, even if we assume that between now and

1970 we have six years of economic growth at the current long-term rate, even if we assume that that the rate of increase of productivity in basic steel is somewhere between 2 and 3 per cent per year and there are no sharp increases because of the introduction of radically different methods of steelmaking--even if we make all of these assumptions, it appears most unlikely to me that the American steel industry will employ in 1970 any more than the approximately 520,000 people the basic industry now employs, and the chances are excellent that fewer will be employed.

By 1970, according to our best judgment, the American steel industry will be producing and, we hope, selling the yield of 135 million ingot tons as against just under 100 million ingot tons in the years from 1960 through 1962 and 109 million ingot tons in 1963. And it won't take any additional numbers to make those additional 25 million tons.

But more than a reduction in numbers is involved. The composition of the workforce changes also. In 1940, a million tons of steel meant 915 white collar workers of all kinds, and 7250 production and maintenance employees--a ratio of about two-and-a-half production and maintenance employees. Admittedly, this is a guess, but the trend is clear. The ratio right now is about one white collar employee to three-plus bargaining unit employees.

Translated into employment requirements, this means that more of the people working in the steel mills will have to have professional and technical training, and substantially all of them will have to be competent in the basic literacy and arithmetic skills. Right now, in the "average" steel mill, probably about half of all production and maintenance employees on the rolls have not graduated from high school. About three out of eight have not gone beyond grade school. But now, except for programs involving high school dropouts in which we cooperate with social agencies, we can afford only infrequently to hire people who have not completed high school. One survey shows that only about one in ten hires has less education than high school graduation.

The changes in the workforce that we can project for the next decade and the changes in job demands generate problems in a large number of areas. Without in any way attempting to cover the whole range, I

want to touch upon three: training, seniority, and job classification. In each, and in some more than others, both management and the union is faced with the challenge of showing far more imagination and innovation than ever in the past. In each, we must examine our past, for old ideas may no longer work satisfactorily or achieve the equities we are both striving for.

In the area of training, I begin with a fundamental premise which I submit is reasonable--that the training furnished by and paid for by an employer is the type of training required to prepare employees on the rolls of the company for jobs and tasks these employees may reasonably be expected to be called upon to perform during the ordinary course of their duties, or those to which they are to be assigned as a result of upgrading, transfer, changes in job content, or assignment to new facilities within the company. This is consistent with the Memorandum of Understanding relating to training we have in our bargaining agreement.

I think it follows reasonably from this that an employer does not have any unique or intrinsic responsibility to offer training which might tend to make employees more acceptable to other industries, if such training is not required for work in the employing steel company. In general, with respect to the problem of apprentices, and apprentice training, I believe the obligation of a company ends with the training required to perform that part of the skill which is necessary for its needs, up to and including the journeyman level where there is use for journeymen. For example, it is obvious that in particular situations individuals may be trained competently to operate lathes, milling and broaching machines, and similar equipment, without taking training that might make them qualify as "machinists" in the general craft sense. Where a company does not have use for journeymen, it is up to the

individual, if he so desires, to seek and take such additional training as might be required to expand his opportunities for employment outside the steel industry or the employing company. This principle has been observed from the time any of us can remember with respect to almost all kinds of work--strip mill rollers or open hearth furnace helpers, for example, would not expect to find counterpart jobs in other industries--and it is equally applicable to positions that might involve tasks and skills commonly found in interindustry apprenticeable trades. This is a particularly important point today and for the near future because technological change has appreciably reduced the relevance of many interindustry crafts. We will need to train for highly specialized work more or less unique to our plants.

Furthermore, I am convinced that no consideration of training can ignore the question of the motivation of the person whom you are attempting to teach. It must be emphasized that, no matter how much training is made available, unless the employee is motivated to learn, subjecting him to that training is a waste of time, effort, and money. Learning is a discipline to which individuals subject themselves in varying degrees; there is no way of teaching anyone who does not submit to such self-discipline. Change, and the learning it requires, will be a way of life from here on out.

Any employee who does not accept the fact that his entire working life is a learning situation in which he must subject himself to constant learning cannot and should not expect advancement, and in fact, probably exposes himself to displacement as technology moves away from him.

I want to add a word here about the massive public training program that is beginning to roll into gear. I have the privilege of

serving on the Advisory Committee to the Office of Manpower, Automation and Training, and I have had an opportunity to see the early programs at first-hand.

We, in my company, and I hope in all industry recognize and accept that it is our responsibility as a corporate citizen to make every reasonable effort to cooperate with the schools, the Federal and local governments, community agencies, unions, and others in the emerging educational and rehabilitation programs designed particularly for socially, educationally, and economically deprived youth and for displaced older workers. In some of these programs, we recognize that currently-employed steelworkers may also participate. In view of the diversity of these programs, the differences in local situations, and the range of sponsorship under which they operate, I am convinced that such cooperative efforts to be effective must be focused at the level of the local plant communities and tailored to local conditions and needs.

I don't want to leave the question of training without taking up briefly a very difficult aspect of the problem: the training of older workers. It is just unrealistic to ignore this issue in the face of declining unit manpower requests in steel, combined with job changes that can be anticipated, and the projected tremendous increase in the numbers of new entrants into the labor market.

Statistical analyses of the characteristics of our own workforce consistently show us that our older workers are much less well-educated than those who have gone to work for us in more recent years. This is not surprising when we recall that the people in their fifties and sixties--whom we consider "older workers"--entered the labor force in the 1920's and early 1930's, when only 15 to 30 per cent of the population over 17 were high school graduates.

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I am not saying that older workers can't learn new skills or be trained in new techniques. We all know this isn't true. Study after study has demonstrated that older people are often well able to master new skills and that they frequently do better than younger people when they have the desire to learn.

What I am saying is that retraining of older workers to equip them to handle jobs in an industry such as ours which is engaged in rapid technological change is an uphill job. I can think of at least three reasons why this is true.

First, their educational level, as I have already mentioned, is likely to be considerably lower on the average than that of their younger co-workers. This is particularly unfortunate because the educational demands for jobs being created by the new technology continue to rise.

Second, and this is especially important in occupations requiring technical knowhow, their education is older; it was acquired 20 or 30 or 40 years ago when the world and total amount of knowledge was different. Unless the older worker has been most diligent in keeping up with his field, he is likely to suffer a severe handicap in competing with more recent graduates who have had the advantage of learning the latest theories and developments.

And third, the education and training necessary to develop a new skill or learn a new trade or occupation costs time and money. In this context it doesn't really matter whether it's the worker's or his employer's time and money; the fact remains that the older worker has fewer years remaining in his working life over which the cost of his training can be amortized or the time expended.

These observations lead me to conclude that it should not be assumed, as it too often is, that retraining of older people for new jobs in the technology of tomorrow is necessarily a "good thing" for all concerned. Retirement--and particularly early retirement--may often be a more realistic alternative in the case of an older worker with obsolete skills or no skills, than extensive training which he will not have the time to use. As a matter of fact, the provision for the opportunity for early retirement in our contracts seems to be welcomed by increasing numbers of employees. In 1962 at Inland, of 310 retiring wage employees, 90, or about one-third, took early retirement. In 1963 the figures are running higher still. Of 298 retirees through November 1963, 121, or about 40 per cent, retired early.

Needless to say, I have no way of knowing if your union is considering or would consider willingly accepting compulsory retirement as a provision of our agreements. All of us, I am sure, recognize the positions already taken which definitely encourage retirement at age 65 or younger and which discourage or penalize working past age 65. For example, the Savings and Vacation Plan definitely does this. You might consider in your locals and at the international level, how many jobs and promotion opportunities would open up for men at the age of their greatest family responsibility, the time when they are raising their children, if we were to agree to a compulsory age of retirement-- and I believe for all workers, including management--although as the late, great Phil Murray once told me, he didn't "have the honor of representing them."

The second employment problem I want to say a few words about is that of seniority. I realize that I am talking about a sacred cow and I have no simple solutions to offer. I don't believe that any problem should be ignored for these reasons. The effects of technological change on seniority are many and complex.

It is here, I think, that we meet some of our most difficult problems, hoary with an encrusted tradition, a history as much of our own mistakes as of our predecessors' wisdom. Seniority was originally conceived to shield workers from arbitrary discharge and to discourage nepotism. Its application was soon extended to promotions, layoffs and rehires. Such use has become widespread in American industry. Today most union contracts call for layoffs and rehires being made strictly according to seniority.

This system admirable as it may be in creating a sense of security, has not proved an undiluted blessing to American workers. The additional job security of older-service workers exists only in the work unit to which seniority applies. Today, a man laid off during times of recession finds it far more difficult to obtain a job with another company than prior to the widespread use of seniority. Today a job applicant can only be hired after all the men previously furloughed by that company are back at work on a full-time basis.

The seniority system can have diametrically opposite effects upon workers. For those it protects--and at the time it does so--the effects are possibly beneficial. For all other workers, it is a positive detriment. Its widespread use operates to restrict job opportunities and discourage labor mobility.

The ill effects of seniority, furthermore, weigh more heavily on the technologically displaced than on those only temporarily laid off. Unlike those on layoff, all permanently disemployed workers must seek other jobs. They then discover that in most plants seniority agreements not only require that they go to the end of the hiring line, but in event of a future layoff, they will be the first ones laid off.

Many union spokesmen have taken the position that one way to meet this problems is to widen the seniority unit: where seniority is by job sequence, widen it to include the department; where seniority is departmental, widen it to include the entire plant, and so on. The purpose of this proposal is, of course,

to provide a larger number of short-service workers between the long-service worker and the gate.

"Widening of seniority units" has become almost a slogan and is made much of at union conventions and in union publications. But I sometimes wonder if the rank and file's heart is in it. You know as well as anyone that increased protection for one worker is at the expense of another. As many men are adversely affected by widening seniority districts as are given increased protection. It i no secret that occasionally different locals of the same union fall to squabbling between themselves as to who has top seniority at a given plant. Then not only is the individual worker caught squarely in the middle, the victim of long drawn-out uncertainty and distress, but management and even the international union may join him in his discomfort. We can all recall cases in the steel industry in which this occurred.

There is frequently no good solution to this problem. There may be 2000 workers claiming 300 jobs. The arithmetic is against the displaced workers. But the company is also in an unenviable position: it may be perfectly willing to accept any reasonable solution offered by the union, but cannot do so because no solution acceptable to all has been offered.

It will take the greatest statesmanship on the partof both the parties if similar situations, with their devastating effects on the workers concerned, are to be avoided in the future.

The basic problem, which the use of seniority only tends to aggravate, is the conflict of interest between workers, conflict between long-service workers eager for security and short-service workers who pay for this security. Technological displacement only brings this conflict into sharper focus. Before the introduction of unemployment compensation, you tried to resolve this conflict by demanding that, during periods of unemployment, companies share the work among all employees. Many companies, with flexible production demands, were able to do so; work schedules were often reduced to 32 hours a week or less before any layoffs took place. But with the introduction of monetary compensation during

unemployment, the policy has been, by and large, to concentrate on protecting the older worker in his job and let workers with relatively short service absorb the layoffs. Consequently, the demand for widened seniority units has been pushed, so as to give the long-service men more bodies between them and layoff.

But I doubt that widening seniority units is the answer. Conceivably, new technologies will so differentiate jobs and job requirements that narrowing seniority districts will be the only solution consistent with acceptable production goals. In addition, there are certain basic disadvantages to widening seniority units, for any purpose. First is the unsettling effect on production of enlarging seniority units, many of which are now of a size which gives this unsettling effect. The greater the number of employees in a seniority unit, the more serious are the commulative effects of "bumping." There are likely to be a larger number of job changes and the displacing workers are less likely to be able to perform their new jobs satisfactorily. This is a particularly significant problem in the event of technological change; the new jobs may have such markedly different requirements that even those employees capable of performing a wide range of old jobs satisfactorily may be completely unable to meet the needs of the new operation. Yet the strict exercise of seniority may require retention of unsatisfactory employees.

I don't mean to suggest by this that existing seniority units are necessarily the best. Nor do I think there can be any decision at this time as to whether automation will require wider or narrower seniority units. But significant changes in technology will necessitate careful review

of the entire seniority system, including size of units. Any attempts to increase rigidities in the seniority system wil defeat its own purpose; that is, by making production less efficient, a company's ability to compete will be jeopardized and workers' jobs security will be lessened accordingly. I think we all have begun to recognize this.

Let me turn, finally, to the problem of job classification and evaluation as it is likely to develop over the next decade or so under the impact of technological change.

Technological change raises two questions in the area of skills: first, what kind of changes in job content and requirements will occur; and second, how are these changes to be translated into wages.

There is no final work on the changes automation will effect in job skills and requirements. The impact of technology will be variable and probably will be complex. In the earlier stages of technological change, many jobs were downgraded and handicraft skills were made obsolete. In later stages, a reverse trend sometimes occurs. Maintenance operations often become both more important and more complex, although operator jobs may have remained at the same skill level or be reduced in skill level.

But while no one can say that automation always results in the same type of job changes, investigation suggests that modern automation tends to reveal fairly typical pattern. James R. Bright, professor of business administration at the Harvard Business School, and a man who has probably done as much original research on the problems of automation as anyone in the country, believes that, in general, automation has <u>not</u> upgraded job requirements. He recently studied thirteen automated plants and found that in eight of them skill requirements actually fell. Similarly, the <u>American Machinist</u> reported that a survey of a cross-section of metalworking firms that had recently

automated revealed the 43 per cent of the workers believed the new machinery required less skill than the old equipment. And a Bureau of Labor Statistics study of the general effect of automation on skill requirements in a group of individual companies in different industries showed that employees transferred from one relatively low-skilled job to another of similar requirements. Our own experience tends to bear out these findings.

The changes in job skills and requirements that do occur will have to be translated into changed job classifications. If this is not done, inequities develop and established and accepted relationships between jobs are threatened. Reclassification of jobs is a function that varies greatly from industry to industry and, in fact, from company to company. In the steel industry, we are fortunate to have a modern system for rating the jobs of our hourly employees, the result of extensive negotiations between the companies and your union over the years.

Development of objective classification standards has led to general satisfaction of all in the industry with the wage relationships; they are now felt by many to be as equitable as things can be, allowing human error.

But the immediate advantages of such a program to the workers may result in future disadvantages if we are not alert to our responsibilities. Formal, written standards for job classification are considerably more difficult to change than are job determinations by rule of thumb. Not only must the points assigned to the different factors for the job be changed, but it now becomes important to scrutinize the basis for evaluation itself.

Here, again, a word of caution to be very careful and make sure we do not go overboard in making changes. For one thing, it is important never to disturb more than is absolutely necessary any existing job and wage

relationships on which acceptable relationships have been built. I think perhaps we in management are a little more aware of this danger than union spokesmen. Union representatives tend to think that any wage increase is an undiluted good. But overlooked is the fact that establishment of an equitable wage rate may lead to a great rise in worker dissatisfaction.

The reasons for raising job classifications and wage rates fall into two categories--upgraded skill requirements and increased requirements and increased responsibilities. Where technological advance has brought about such changes, job classifications and accompanying wage rates should indeed be raised. But too often demands for such increases are not only hasty, but could be productive of the most unfortunate effects on the workforce. For example, take the question of worker responsibility for increasing amounts of capital invested in equipment. The demand is sometimes made that automation should bring increased wages to employees responsible for increased amounts of equipment. But if the criterion of wages is to be the amount of capital investment in the job, what happens to the relative wages of tool and die makers and other skilled workers? And what indeed would happen to the wages of the night watchman?

Nor do changes in skill requirements necessarily suggest raised job classifications. Skill requirements for technologically-changed jobs may be greater, less or equal, but different; only the first category would warrant a wage increase. While this conclusion would appear to be almost painfully self-evident, continuing union demands would suggest it needs repetition.

The various problems I have mentioned as significant for the next decade obviously do not exhaust the roster. The organizational structure of a workforce, the attitudes and morale of employees, and the character of our collective bargaining are each important. If we look for them, we will find

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